

**Lawrence Berkeley National Laboratory  
Contract Assurance Council  
Quarterly Meeting Minutes**

**Wednesday, January 10, 2007  
University of California—Office of the President  
Franklin Building, Room 10325**

*CAC members or representatives present:*

Bob Foley	Larry Coleman	Susan Thomas for Jeff
Bob Van Ness	John Oakley	Blair
John Birely	John Layton	
Buck Koonce		

*CAC members absent:*

Bruce Darling	Patrick Reed
Anne Broome	Al Diaz
Judy Boyette	

*UCOP Staff:*

Sharon Eklund	Sandy Vinson
Ron Nelson	Bill Eklund

*Guest participants:*

Jeffrey Fernandez, LBNL	Cheryl Fragiadakis,	Howard Hatayama,
Jim Krupnick, LBNL	LBNL	LBNL
John Chernowski, LBNL		

**Welcome/Action Items**

Bob Van Ness welcomed members and guests to the Contract Assurance Council (CAC) quarterly meeting. Sharon Eklund reviewed the open action items:

- Item 21—Howard Hatayama will give a presentation on this topic today.
- Item 22—Jeffrey Fernandez and Anne Broome still need to discuss this topic before the frequency of briefings on cost savings is determined.
- Item 24—Jim Krupnick explained that the mention of “operating ventures” in the first Advisory Board report was a reference to partnerships such as the LANS LLC; Van Ness will give a presentation today on the UC oversight part of this action item.
- Item 26—Fernandez will give a presentation on this topic today.

**Signature Authority**

Fernandez reported that both the LBNL Controller and Accounts Payable manager positions are currently vacant, but he has assigned acting managers to each position, and he is currently

actively recruiting for a Controller to fill that vacancy quickly. He is holding the Accounts Payable position open for the time being until a decision is made on whether to restructure the work. The Council cautioned him to perform a careful review of all the job responsibilities associated with the two positions (and other role changes for any personnel who may be temporarily filling in), since failure to do so in a similar situation at LANL resulted in a temporary loss of certain financial checks and balances. Fernandez indicated that the vacancies may cause some risk based on a lack of resources to address a travel reconciliation challenge and various Accounts Payable audit findings in as timely a manner as planned. (The corrective actions completion may slide by a month.) He will ask Anne Broome for assistance if necessary.

Fernandez reported on the work on the signature authority project that was completed in October 2006. The Lab identified a need to replace the Gelco Travel System—particularly the travel reimbursement system—preferably with a system that will interface with other LBNL information systems. They also recognized that they needed to improve the controls on signature authorities related to banking, and they are engaged in a competitive process to acquire a replacement system. Fernandez identified problems with authorizers who do not understand what is involved with certain signature authorities. LBNL is developing on-line training to address this and related issues. In addition, LBNL will review delegations of authority. The Council advised Fernandez that the Lab must be able to demonstrate that there has been no relaxation in controls and suggested that LBNL Internal Audit or the Office of Institutional Assurance should review all changes in the signature authority-related systems.

### **Proposal Initiatives**

John Chernowski suggested that the managers responsible for each of the proposal initiatives be invited to meet with the Council on the status of the initiatives, and he described the Strategic Management Initiatives and Improvements tracking process. Chernowski meets quarterly with the Berkeley Site Office on the “big three” initiatives (listed in his slides).

### **Technology Transfer Proposal Initiatives**

Cheryl Fragiadakis, LBNL Technology Transfer Department Head, explained that the Technology Transfer and Intellectual Property Management function includes 18 people, three of whom license inventions. LBNL uses internal resources to file roughly one-half of their patents, with law firms under contract filing the other half. There are four Lab patent practitioners, including one patent agent. The Department has operated independently of the UC Office of the President (UCOP) Office of Technology Transfer (OTT) for the last ten years. The Lab collects anywhere from 1% to 5% of the revenue from each license, usually depending on the industry, and license terms are usually the life of the last-to-expire patent.

Fragiadakis explained the three proposal initiatives related to technology transfer:

- The Department has begun conducting training sessions with an average of about 60 participants at each session. They are taping the sessions and plan to post sections of

the tapes on the LBNL technology transfer website. The Council suggested that when the Lab has developed its related web-based training, they should share it with OTT.

- After discussion of the intellectual property database initiative, the Council encouraged Fragiadakis to meet with Aundra Richards to explain that UCOP has abandoned an earlier approach to replacing their database, and LBNL has determined that the outlook for UC adopting a new system that LBNL would share is not good, so this initiative should be closed.
- The Technology Transfer Department has completed leveraging OTT marketing and has increased its usage of e-mailing for this purpose as proposed.

### **Director's Retreat (continued)**

Krupnick reported that the Lab is placing special emphasis on safety management responsibilities of the principal investigators (PIs), utilizing a model borrowed from Singapore National University. The new "work lead" definition extends and defines the safety chain of command. The Lab is also focusing on reducing at-risk behaviors. They have not been able to sustain the FY06 year-end safety performance into the first quarter of FY07. The TRC rate for FY07 is currently roughly 1.6, and the DART is roughly .9, both exceeding the targets set by DOE. Hatayama said they will have better data shortly, and their challenge is to convince employees with ergonomic issues to seek help before they develop an injury.

Krupnick explained that LBNL senior management has been promulgating the partnership that is necessary between science and operations so that operations is not separate from the rest of the Lab. He discussed the revised organization chart and the new directors in Human Resources and Information Technology. Management will begin recruiting for a new Facilities Division Director as well. Director Chu has asked Internal Audit to look for cost reduction and efficiency opportunities during the course of audits. The Lab is currently paying \$1.8M/year for offices in downtown Berkeley. The Lab has a plan (with a four-year payback) to bring the employees who work in those offices back to Lab facilities, but there is no funding available to execute the plan. Instead, the Lab has scheduled the move to be completed over the next 30 months so that the lease can expire, as planned, by June 2009.

Krupnick reported that, in some cases, PIs are taking advantage of lower overhead rates for effort at UCB and are running their funding through campus rather than the Lab. The Council expressed concern whether this might be a cost accounting standard violation under Contract 31 and would like to know what LBNL can do to discourage this behavior (such as reducing the charges for the use of labs).

LBNL has planned a community meeting on the Long Range Development Plan and the Environmental Impact Report (EIR), and management is meeting in advance with the Berkeley Mayor's Office. The big issues with the neighbors are the size of the population projected to be working on "the Hill," the related traffic issues, and the number of tons of pollutants that will be generated. LBNL is running a longer EIR comment period than required to accommodate the expressed interest.

### **Controlled Substance Process Improvements**

Hatayama explained that the Lab receives from five to ten controlled substance shipments per year, each one gram or less in size. He described the “cradle-to-grave” handling process and said that the Security Manager or his designee transports and/or insures that the chain of custody is intact. Only a manager can procure these substances and assure that the correct protocol is followed. The Lab will issue the new controlled substances protocol by the end of the month. The Council encouraged Hatayama to make certain that LBNL is in compliance with the protocol and suggested that recipients should show a responsible individual from either ES&H or Security where the material will be stored. Hatayama agreed that he would build that step in as part of the secure delivery process.

### **Response to July 2006 Board Report**

Van Ness explained that the maximum performance fee for management of LBNL is \$4.5M. UCOP will set aside 10% of the earned fee to build a \$2M “bank” for post-contract contingency. The remainder of the fee is for UC-directed research and development (UCDRD) under the management of Director Chu. The Council and the Advisory Board costs are financed by a combination of direct and indirect charges to the contract. The UCOP costs charged to the LBNL contract are \$1.1M. (The costs are allocated to the Labs and campuses based on the number of employees at each location, and the costs include human resources [pension and benefit services, for example], business and financial services, auditor services, etc.) The actual LMO cost that is not included in the indirect is \$.37M (.07%). The impact to the LBNL budget from UC oversight is about .29% overall, and that has quelled the concerns of the Advisory Board.

### **Executive Session**

The meeting concluded with a closed session for Council members and UC staff.

### **Action Items:**

<i>#</i>	<i>Responsible Party</i>	<i>Action</i>	<i>Date Added</i>	<i>Status</i>
28	Krupnick LBNL	Review all changes in the signature authority-related systems	01/10/06	<b>OPEN</b>

29	McGraw LBNL	Determine whether using Contract 31 funding to perform work in UCB lab space (rather than in more costly LBNL space) constitutes a cost accounting standard violation under the contract and what LBNL can do to discourage this behavior	01/10/06	<b>OPEN</b>
		<i>On-going Actions</i>		
5	Eklund UCOP	Schedule a ten-minute Executive Session at the close of each CAC quarterly meeting.	04/12/06	Quarterly Action
6	Eklund UCOP	Schedule quarterly CAC meetings to be held at LBNL.	04/12/06	Quarterly Action
7	Hirahara UCOP	Implement a call for agenda topics prior to each meeting.	04/12/06	Monthly Action
22	Fernandez LBNL Broome UCOP	<ul style="list-style-type: none"> <li>• Report quarterly on supply chain initiative planned cost savings versus actual.</li> <li>• Report on discussion regarding LBNL and UCOP purchasing alignment and economies of scale</li> </ul>	06/14/06	Quarterly Action

		<i>Completed or Cancelled Actions</i>		
1	Chernowski LBNL	Modify Risk Registry report to include a column in which BSO concurrence with the current status of the item can be indicated.	04/12/06	Cancelled
2	Chernowski LBNL	Plan C31 Risk Registry updates for the quarterly meetings and as-needed at the monthly meetings.	04/12/06	Done—next report at 07/12 meeting
3	Fernandez LBNL	Brief the Council on how LBNL is tracking cost savings and the current status.	04/12/06	Done—held on 6/14
4	Chernowski LBNL	Schedule a dry run of the presentation to senior LBNL and BSO management of second quarter performance. (UC-internal only).	04/12/06	Done—held on 05/02
8	Merola LBNL	Provide the Council with the number of LBNL PIs working with controlled substances.	05/10/06	Done—presented on 6/14
9	Merola LBNL	Provide the Council with the quantity of controlled substances ordered by LBNL annually.	05/10/06	Done—presented on 6/14
10	Merola LBNL	Provide the Council with the number of discrete locations where controlled substances are handled at LBNL.	05/10/06	Done—presented on 6/14
11	Hatayama LBNL	Personally review LBNL controlled substance and drug precursor processes and personnel to assure appropriate controls are in place—report back to CAC.	05/10/06	Done—presented on 6/14
12	Hatayama LBNL	Personally review LBNL select agent processes and personnel to assure appropriate controls are in place—report back to CAC.	05/10/06	Done—presented on 11/08
13	Eklund UCOP	Add <i>Select Agents</i> as a topic to a future CAC agenda.	05/10/06	Done—presented on 11/08
14	Eklund UCOP	Add <i>Accounts payable</i> as a topic to a future CAC agenda.	05/10/06	Done—presented on 7/12
15	Krupnick LBNL	Provide CAC with further detail on the thorium inventory and reportability.	05/10/06	Done—presented on 7/12
16	Merola LBNL	Provide LBNL Advisory Board report to CAC when complete.	05/10/06	Done—presented on 8/9

17	Hirahara LBNL	Invite Aundra Richards to 07/12 Quarterly CAC Meeting.	05/10/06	Done—discussed on 6/14
18	Koonce LBNL	Identify the UCOP senior management “owner” of the LBNL bonding issue.	05/10/06	Done—presented on 6/14
19	Merola/ Burnside LBNL	<ul style="list-style-type: none"> <li>Define operational requirements and associated agreements in regard to LBNL research on UCB campus. This includes ES&amp;H and other operational requirements.</li> <li>Share results of the upcoming meeting of the Burnside Committee.</li> </ul>	06/14/06  (modified 10/11/06)	Done—presented on 12/13
20	Merola LBNL	Explain how LBNL manages Principal Investigators.	06/14/06	Done—presented on 9/13
21	McGraw/ Hatayama LBNL	Report on controlled substances process improvements.	06/14/06	Done—held on 01/10
23	Koonce/ Eklund UCOP	Provide Susan Thomas, UC-GC, a copy of the policy and procedures regarding who in Purchasing should have access to the vendor master.	07/12/06	Done—sent on 07/19
24	Krupnick LBNL  Nelson UCOP	<ul style="list-style-type: none"> <li>Provide further detail on LBNL Advisory Board report (independent operating ventures and need for review of oversight mechanisms references).</li> <li>Provide written response regarding operating ventures.</li> <li>Discuss UCOP plan for oversight</li> </ul>	08/09/06  (modified 10/13/16)	<p>J. Krupnick verified that the Board was referring to the LLC when using the term “independent operating ventures.”</p> <p>Done—held on 01/10</p>
25	McGraw LBNL	Provide Council members with the LBNL pie chart that indicates how many PIs are from various campuses and other universities.	09/13/06	Done—presented on 12/13
26	McGraw LBNL	Provide progress report on consolidation of authorities project and milestones for project completion.	09/13/06	Done—held on 01/10

27	McGraw LBNL	Supply the Council members with a copy of the address Director Chu sent to LBNL PIs on the subject of their responsibilities.	09/13/06	Done—sent with September meeting minutes
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